Testimony of
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Okemos, Michigan
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Good afternoon. My name is Craig Borr and I am President & Chief Executive Officer of the Michigan Electric Cooperative Association (MECA) in Okemos, Michigan. I would like to thank Chairman Nofs for inviting MECA to testify before the Committee this afternoon.

MECA is the statewide trade association for Michigan's 11 electric cooperatives, which collectively serve more than 300,000 homes, farms and businesses in 59 of Michigan's 83 counties.[1] Electric cooperatives are not-for-profit member-owned and controlled utilities governed by boards of directors that are elected by the membership.

[1] MECA's membership consists of the following: Alger Delta Cooperative Electric Association, Cherryland Electric Cooperative, Cloverland Electric Cooperative, Great Lakes Energy Cooperative, HomeWorks Tri-County Electric Cooperative, Midwest Energy Cooperative, The Ontonagon County Rural Electrification Association, Presque Isle Electric & Gas Co-op, Thumb Electric Cooperative, Wolverine Power Marketing Cooperative, and Wolverine Power Supply Cooperative, Inc.

Michigan's electric cooperatives maintain over 36,000 miles of line to serve approximately 310,000 meters. This results in an average of approximately eight customers per mile of line. This compares to approximately 35 customers per mile for the average investor-owned utility and over 90 customers per mile for some municipal systems. As for annual kWh sales per mile of line, the cooperatives average 60,500; the IOUs 725,000; and municipals top the scale at 1,950,000 kWh per mile per year. Approximately 95% of cooperative customers are residential. Several cooperatives serve a considerable number of seasonal homes and cottages where annual usage is low, but maintenance and the annual cost to serve may be higher.

My comments will be in four primary areas: (1) the leadership role Michigan's electric cooperatives are playing in renewable energy; (2) how Michigan's electric cooperatives are meeting the current renewable energy requirements in PA 295; (3) suggestions for improvement to Michigan's current RPS statute and; (4) changes in the renewable energy landscape that could impact Michigan's RPS. Before we go any further, I believe it is critically important to point out that, while Michigan's electric cooperatives support renewable energy, we **do not** support any increase to the current 10% RPS level here in Michigan.

Michigan's electric cooperatives are proud to be leaders in renewable energy. To illustrate, let me point to some specific examples:

First, Cloverland Electric Cooperative, based in Sault Ste. Marie, Michigan, has one of the highest percentages of renewable energy in its portfolio of any electric utility in Michigan. As a result of ownership and operation of its own hydroelectric generating facility on the St. Mary's River, Cloverland already meets and exceeds Michigan's RPS.

Second, Wolverine Power Cooperative and its member-cooperatives have long supported renewable energy in Michigan and have been at the forefront of the issue for many years. Even prior to an RPS statute here in Michigan, Wolverine and its member-cooperatives moved forward in partnership with John Deere Wind Energy to develop the state's first utility scale wind farm in Huron County. This $100 million wind farm has been providing renewable energy to Wolverine and its member-cooperatives since late 2007—nearly a year prior to the RPS being enacted. Wolverine and its six member-cooperatives are also well on their way to exceeding Michigan's RPS by sometime next year.

And for my final examples, I am pleased to report that Cherryland Electric Cooperative (Grawn, Michigan) partnered last year with Traverse City Light & Power on the State of Michigan's first community solar project. HomeWorks Tri-County Electric Cooperative (Portland, Michigan) and Great Lakes Energy (Boyne City, Michigan) are also demonstrating their renewable energy leadership by moving forward with local solar projects. Midwest Energy Cooperative (Cassopolis, Michigan) has constructed the Danny Young Renewable Energy Park to help educate its membership on various renewable energy technologies.

Michigan's electric cooperatives are all taking actions to comply with the provisions of PA 295 that require state utilities to purchase increasing amounts of renewable energy as required in the statute. Wind and hydro are the principal means by which Michigan's electric cooperatives meet or exceed the 10% renewable goal by next year. I am confident that each of our member cooperatives will meet or even exceed the 10% by 2015 goal.

I would be remiss if I did not use this opportunity to raise some of the concerns that Michigan's electric cooperatives have with the current renewable energy purchase provisions of PA 295. Michigan's electric cooperatives believe consideration should be given to removing the in-state purchase requirement presently contained in PA 295. Michigan utilities should have the ability to purchase renewable energy from developments in other states throughout the Midwest that may have more competitive options. Today, 8,500 megawatts of wind capacity are under various stages of development in MISO—sadly Michigan utilities do not currently have access to that generation.

Our member-customers are continually asking us to be more competitive with respect to their costs—eliminating the mandatory in-state purchase

requirement in the Michigan RPS would help Michigan utilities be more competitive by allowing purchases from renewable energy projects in other states.

In addition, lack of a robust east-west transmission loop in Michigan's Upper Peninsula has also stalled development of additional wind energy development in that part of our state. Today, only one wind farm exists in Michigan's Upper Peninsula. MECA believes that needs to change.

Finally, there are several significant facts about renewable energy, particularly wind energy, that are all too often forgotten. First, Michigan's electric cooperatives believe wind energy is a valuable part of Michigan's renewable energy mix. However, let's provide some perspective on that role. At the end of 2015, the MPSC projects approximately 1,500 megawatts of renewable energy capacity will be operating in Michigan. By comparison, Michigan's Lower Peninsula peak electrical demand is expected to reach nearly 22,000 megawatts this summer.

Wind generation will not replace coal, nuclear and/or natural gas as baseload fuels that allow Michigan's utilities to serve their customers on a daily basis. This is principally due to the cost, compared to other current market alternatives, and the intermittent nature of wind energy. Simply stated, the wind does not always blow at the same time the generation is most needed—typically a hot, sunny summer afternoon.

For example, the Harvest Wind Farm in Huron County, whose energy is transmitted to one of our members, Wolverine Power Cooperative, has operated approximately 30% of the time since it began production in late 2007--and that is one of Michigan's leading areas for wind energy. MECA believes those capacity

factors, with technology advances, will continue to increase to around 40% here in Michigan. However, wind energy is still intermittent and is often unavailable when we need it most—the summer.

Lastly, one of the principal financial drivers of renewable energy development throughout Michigan and the country is the Federal Production Tax Credit (PTC). This federal tax credit provides the owner/developer of a wind farm with a 2.2 cents/KWh federal tax credit for the first 10 years of operation of a typical utility-scale wind farm.

Again, using Wolverine's Harvest Wind Farm as an example, this would equate to approximately $30 million in federal tax benefit to the developer over the first decade of its commercial operation. The PTC expired on December 31, 2013 and due to the current budgetary climate in Washington, D.C., it may not be renewed. A similar Investment Tax Credit (ITC), for renewable energy investments, is also set to expire at the end of 2015.

MECA believes that both of these tax credits will have difficulty being renewed in today's political and budgetary climate in Washington, D.C. If these tax incentives do indeed go away, Michigan utilities, as well as their counterparts from throughout the country, could struggle in meeting any RPS.

On behalf of Michigan's electric cooperatives, I want to thank Chairman Nofs and members of the Senate Energy & Technology Committee for your time today. I am happy to answers any questions. Thank you.
